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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

JUN - 5 2012

DOCKETED BY

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IN THE MATTER OF IN THE MATTER OF
THE APPLICATION OF QWEST
CORPORATION DBA CENTURYLINK QC
TARIFF FILING TO MAKE CHANGES TO
THE ACCESS SERVICE PRICE CAP
TARIFF

DOCKET NO. T-01051B-11-0448

DECISION NO. 73219

ORDER

Open Meeting
May 22 and 23, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Qwest Corporation d/b/a CenturyLink QC ("QC") is certificated to provide telecommunications service as a public service corporation in the State of Arizona.

2. On December 14, 2011, Qwest Corporation d/b/a CenturyLink QC ("CenturyLink") filed an application to make changes to its access service price cap tariff as it relates to intercarrier compensation for Voice over Internet Protocol-Public Switched Telephone Network ("VoIP-PSTN")¹ traffic. Voice over Internet Protocol ("VoIP") is a technology that allows a subscriber to make and receive voice calls using a broadband Internet connection instead of a phone line. On December 16, 2011, CenturyLink filed an amendment to its December 14, 2011 filing to revise its proposed definition of VoIP-PSTN Traffic.

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¹ "VoIP-PSTN traffic" is "traffic exchanged over PSTN facilities that originates and/or terminates in internet protocol ("IP") format.

3. On November 18, 2011, the Federal Communications Commission (“FCC”) issued a Report and Order and Further Notice of Proposed Rulemaking in WC Docket Nos. 10-90, et al. (FCC 11-161) (“the USF-ICC Order”) that puts in place a process that will change the current process by which carriers pay for the use of each other’s facilities and network. The FCC’s name for this process is “intercarrier compensation.” As a result of the USF-ICC Order, carriers are filing revisions to their access tariffs to conform to the provisions of the Order. Specifically, carriers are addressing access charges imposed on VoIP-PSTN² traffic.

4. The FCC adopted the following intercarrier compensation framework for VoIP traffic, in particular, VoIP-PSTN traffic³:

Voice over Internet Protocol (VoIP): The intercarrier compensation treatment of VoIP traffic that is exchanged between LECs and other carriers has been the subject of long-running disputes. This plan does not take a position on the appropriate intercarrier compensation treatment of VoIP traffic prior to January 1, 2012. Under the plan, the Commission will adopt a new rule, effective January 1, 2012, to govern the intercarrier compensation rates applicable to VoIP traffic exchanged between LECs and other carriers. Such traffic will be rated at interstate access rates if the call detail indicates an “access” call, or at reciprocal compensation rates if the call detail indicates a “non-access” call. *All “toll” traffic that originates in IP or terminates in IP will be subject to current interstate access rates (regardless of whether it is interstate or intrastate) (Italics and underlining added.);* local termination rates would not be affected. All such traffic is incorporated into the overall transition as rates for terminating interstate access traffic are reduced and eventually unified at \$0.0007 pursuant to the comprehensive reform plan described below. *Under the plan, intrastate access rates will not be applied to VoIP traffic. (Italics added.)*

5. The USF-ICC Order also makes clear that on a going-forward basis payment obligations apply to VoIP traffic and adopts a transitional intercarrier compensation framework for VoIP.⁴ Under the transitional framework⁵:

- Default charges for “toll” VoIP-PSTN traffic will be equal to interstate access rates applicable to non-VoIP traffic, both in terms of the rate level and rate structure;
- Default charges for other VoIP-PSTN traffic will be the otherwise-applicable reciprocal compensation rates; (footnote omitted); and

² VoIP-PSTN traffic is intrastate VoIP calling that travels across the telephone network at one end of the call.

³ The USF-ICC Order at para. 933, footnote 1869.

⁴ The USF-ICC Order at para. 652.

⁵ The USF-ICC Order at para. 944.

- LECs are permitted to tariff these default charges for toll VoIP-PSTN traffic in relevant federal and state tariffs in the absence of an agreement for different intercarrier compensation.

6. Based on the above language and Staff's interpretation of the USF-ICC Order, Staff believes that interstate access rates are applicable to both originating and terminating VoIP-PSTN traffic.

7. Frontier Communications Corp. ("Frontier") filed a Petition for Clarification and/or Reconsideration ("Petition") at the FCC to clarify, or reconsider its decision to state, that initially the interstate access charges for VoIP-PSTN calls will apply only for the termination of such calls and intrastate charges will apply for the origination of such calls.

8. CenturyLink's proposed tariff states that VoIP-PSTN traffic is traffic that is exchanged in Time Division Multiplexing ("TDM") format and originates and/or terminates in IP format. The proposed tariff further states that this traffic is required to be compensated at interstate access rates unless the parties have negotiated that applicable rate as is permitted by the FCC. This differs from Frontier's position that the charges apply only to traffic that is exchanged in TDM format and terminates in IP format.

9. On March 28, 2012, AT&T Services, Inc. ("AT&T") filed objections to CenturyLink's proposed tariff revisions. AT&T states that it objects that there is no mechanism to address VoIP-PSTN traffic that CenturyLink customers originate or terminate in IP format. AT&T states that the FCC's order requires that interstate access rates apply to calls that originate or terminate in IP format. AT&T surmises that a reason these calls are not included in the proposed tariff is that CenturyLink does not provide retail VoIP services to its customers and if so, the tariff should be amended to include such traffic if CenturyLink provides retail VoIP services in the future.

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1 10. On April 24, 2012, the FCC issued an Order⁶ addressing Frontier's petition, stating
2 "it would permit LECs to tariff default rates equal to their intrastate originating access rates when
3 they originate VoIP traffic from the effective date⁷ of the revised rules until June 30, 2014. On
4 July 1, 2014, LECs will be permitted to tariff default rates for such traffic equal to their interstate
5 originating access rates." ⁸On May 3, 2012, CenturyLink submitted an amended filing to address
6 the concerns raised by AT&T in its March 28, 2012 filing in this docket.

7 11. During its review of numerous proposed tariff revisions to implement the FCC's
8 decision as it relates to VoIP-PSTN calls, Staff was informed by AT&T and others that they
9 believed that because the FCC's Order regarding these calls became effective on December 29,
10 2011, the new rates should apply to traffic beginning on that date and that there should be a rate
11 adjustment. The Commission's tariff approval procedures apply and the tariffs become effective
12 after Commission approval. CenturyLink's proposed tariff revision states that interstate access
13 rates apply to a carriers' traffic when the carrier provides CenturyLink with the percentages of its
14 traffic that originate and terminate in IP-format. CenturyLink stated that AT&T provided these
15 percentages in March 2012 and that the new rates would apply to AT&T's traffic beginning in
16 March 2012.

17 12. Staff has reviewed the proposed tariff revisions, the relevant FCC Orders and the
18 comments that have been filed in the Docket. Staff recommends approval of the proposed tariff
19 revisions submitted by CenturyLink on May 3, 2012.

20 CONCLUSIONS OF LAW

21 1. CenturyLink is a public service corporation within the meaning of Article XV of
22 the Arizona Constitution.

23 2. The Commission has jurisdiction over CenturyLink and the subject matter in this
24 filing.

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27 ⁶ The USF-ICC Order, *Second Order On Reconsideration*, FCC 12-47, rel. April 25, 2012, ¶ 2 and ¶35 and footnote
28 96.

⁷ Id., Footnote 96, "Accordingly, our revised rules will become effective 45 days after publication in the Federal
 Register."

⁸ Id., ¶35.

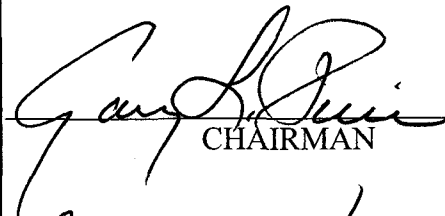
3. The Commission, having reviewed the filing and Staff's Memorandum dated May 9, 2012, concludes that the proposed tariff revisions, as amended, are reasonable, fair and equitable and therefore in the public interest.

ORDER

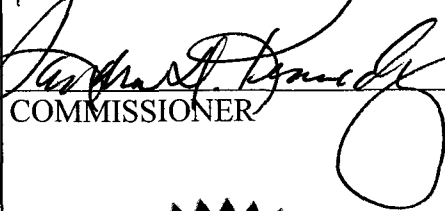
IT IS THEREFORE ORDERED that the proposed tariff revisions be and hereby are approved as discussed herein.

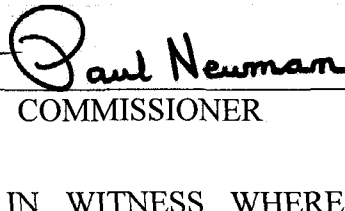
IT IS FURTHER ORDERED that this Decision be and hereby is effective immediately.

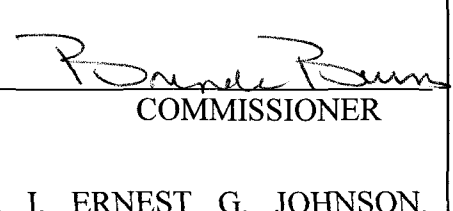
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

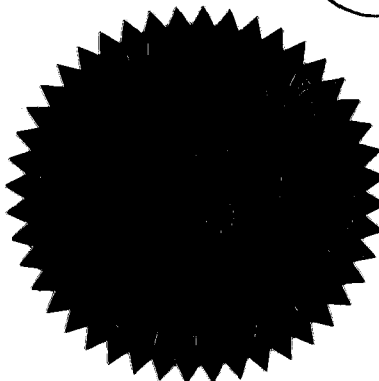

CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 5th day of June, 2012.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:WMS:lhmm\MAS

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